

DEPARTMENT OF WATER RESOURCES

1416 NINTH STREET, P.O. BOX 942836
SACRAMENTO, CA 942360001
(916) 653-5791



November 24, 2004

Mr. Ron Enzweiler, Executive Director
Salton Sea Authority
78-401 Highway 111, Suite T
La Quinta, California 92253-2066

Dear Mr. Enzweiler:

This letter of understanding is in response to your November 8, 2004 request for redirection of funds provided to the Salton Sea Authority as part of the Governor's Budget Act for fiscal-years 1998-1999 and 1999-2000.

The Governor's Budget Act for fiscal-years 1998-1999 (Chapter 324/98, statutes of 1998, budget item 3860-102-0001) and 1999-2000 (Chapter 50, statutes of 1999, budget item 3860-201-0001) appropriated \$3 million in local assistance funds (\$1 million in 1998 and \$2 million in 1999) to the Department of Water Resources for use at the Salton Sea. The funds for both years were placed in the Governor's Budget at the request of then-Assemblyman Jim Battin for the purpose of facilitating work associated with restoration of the Salton Sea.

According to language in the 1998 Member's Request, the \$1 million provided in the Governor's Budget Act was to be used as follows: (1) \$500,000 for the California Department of Fish and Game to help improve management responses to bird die-offs at and near the Imperial Wildlife Area, and (2) \$500,000 to be used to match federal funds appropriated to the U.S. Fish and Wildlife Service to support science research and/or other scientific-related activities at the Sea.

The 1999 Member's Request specified that the \$2 million was to be used as follows: (1) \$1 million to be used to match federal funds appropriated to the U.S. Fish and Wildlife Service to support wildlife management efforts at the Sea, and (2) \$1 million to help further the Salton Sea environmental restoration efforts. Subsequently, the Department and the Authority agreed that the second \$1 million provided in the 1999 Budget Act would be used to help partially fund a Solar Evaporative Pond Demonstration Project along the east side of the Sea.

Currently, approximately \$1,643,000 in State local assistance/Member's Request funds appropriated in the 1998 and 1999 Budget Acts remain unspent. The Authority now desires to redirect the use of these funds to implement the first phase of an odor abatement/water treatment program in and around public use areas at the Salton Sea (\$300,000) and for other activities that could advance the current State ecosystem restoration effort at the Sea (\$1,343,000).

The Authority's request to redirect use of the remaining funds as specified above is approved. With respect to activities that could help further current State efforts to protect and sustain the Salton Sea ecosystem, the Department requests that the \$1,343,000 in local assistance funds be redirected to support: (1) studies and/or other efforts such as pilot wetland projects, water quality treatment efforts, additional odor and algae control activities (as necessary), and scientific and/or other Authority sponsored studies (and

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reasonable administrative costs) that address ecosystem health issues or undertake important activities to further the restoration effort, and (2) studies (as specified in the attached scope of work) on protection and possible enhancement of existing recreation resources and the opportunities for local economic development associated with each of the alternatives being brought forward for more detailed analysis as part of the State's Programmatic Environmental Impact Report on the Salton Sea Ecosystem Management Plan.

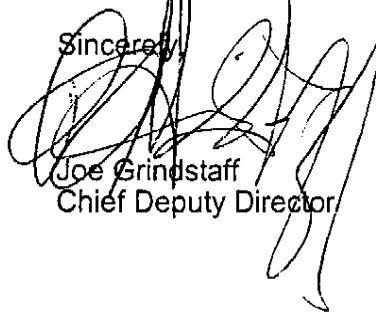
If this redirection of funds is agreeable to the Authority, please sign and return this letter of understanding to:

Department of Water Resources
770 Fairmont Avenue, Suite 102
Glendale, California 91203
ATTENTION: Charles Keene

By signing this letter of understanding, you agree to hold the State and the Department harmless from any claims that may arise out of the activities authorized in this letter. It is further understood that the funds should be used only for the above-mentioned activities, and any unexpended funds should be returned to the State. In addition, by signing below you agree to provide the Department with quarterly updates on the progress of the work and an accurate accounting of the expenditures of State funds associated with this effort.

Your expeditious handling of the letter of understanding is appreciated. If you have any questions pertaining to this matter please contact me at (916) 653-6055. Any questions regarding the scope of work authorized please contact Charles Keene, Environmental Program Manager in our Southern District Office at (818) 543-4620.

Sincerely,



Joe Grindstaff
Chief Deputy Director

AGREED:



Ron Enzweiler, Executive Director
Salton Sea Authority

Date: Nov. 30, 2004

Enclosure

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SCOPE OF WORK

Assessment of Recreation and Local Economic Opportunities Salton Sea Ecosystem Management Program

Dated: November 15, 2004

SCOPE OF WORK:

This scope of work outlines the specific work activities that are necessary to evaluate, at a feasibility-level of effort, the protection of recreational values and the enhancement of local economic development opportunities surrounding the Salton Sea for each of the selected ecosystem management alternatives brought forward for more detailed analysis as part of the PEIR. The work is to be conducted in consultation with the Resources Secretary's Salton Sea Advisory Committee (SSAC) and in close coordination with the Department of Water Resources (Department) and Department of Fish and Game (DFG) staff.

While, the primary focus or goal of the Salton Sea Ecosystem Management Program is to identify a preferred alternative for the management and permanent protection of the ecosystem, the protection and possible enhancement of recreation and creation of local economic opportunities are also important components of this effort. However, proposals to protect recreation and spur local economic growth must be consistent with, and secondary to, proposals for sustaining the ecosystem values.

The scope of work to be performed is divided into two separate and distinct tasks as described below. Task 1 is development of feasibility-level recreation plans, schedules, and financing options, associated with the alternatives brought forward for more detailed analysis as part of the PEIR. These recreation plans would focus on the protection and possible enhancement of the recreational values the sea currently provides. Task 2 involves assessing the potential for local economic development opportunities associated with the alternatives to be considered in the PEIR. Both tasks are to be carried out in a manner that maximizes local public involvement.

Task 1 – Develop Recreation Plans

Develop plans in sufficient detail, and consistent with the ecosystem management focus of the program, that address protection and possible enhancement of recreation values surrounding the Salton Sea. Specific recreation plans/proposals are to be developed for each alternative brought forward for more detailed consideration as part of the PEIR, including the No Action Alternative. Plans are to be developed at a feasibility-level of effort that provides sufficient supporting details and data concerning the proposal including its technical, economic, social, and environmental considerations associated with its implementation. A standard benefit-cost analysis and financing plan is to be prepared for each plan.

As part of a strategic approach to recreation planning for the sea, the following three overarching questions must be addressed by each plan:

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1. *Where are we now?* What facilities and services are available at present and do they fulfill the identified needs of the region?
2. *Where would we like to be?* What facilities and services are required to meet the needs of the region?
3. *How are we going to get there?* How are these facilities and services to be provided in the future and who is responsible for providing and managing them?

In addition, the following subtasks or elements are also considered a necessary part of the development of strategic recreation plans for protection and possible enhancement of the recreational values of the sea. These subtasks will involve conducting several public meetings and considerable public input and discussion to achieve "ownership" of the plan. The subtasks include:

- a. Identify the core values and desires of key stakeholder groups in regard to recreation at the sea and develop these values into a set of principles or overarching goals to drive the recreation planning process.
- b. Research and analyze the issues that are likely to influence the future direction and scope of the recreation plans including the number, size, and location of facilities, regional need, partnerships for financing, constructing, operating and maintaining the facilities, and assessing local and regional attitudes regarding the plan.
- c. Prepare a conceptual recreation plans reflecting the values and desires of various stakeholders, vet the plans through consultation with public interest groups, and present the plans to the SSAC for its review.
- d. Outline the key steps needed and strategies for implementing the plan including identifying responsibilities, timing and resources required for implementing the strategies.
- e. Prepare an adaptive management plan for reviewing the outcome of the plan including the objectives achieved and their appropriateness in terms of regional benefits.

The final recreation plan for each alternative must be flexible to adapt to changes in the physical nature of the sea as well as regional needs and attitudes toward recreation. In addition, it must represent a cooperative effort among various stakeholder groups and a sense of ownership of the plan by those interests.

Deliverables: The final plans should consist of a detailed description of each proposal, supporting data and information including documentation of public consultation and opportunities for input, and a map and layout of any proposed facilities or improvements. A detailed work plan describing the recreation planning, public consultation, and plan assessment process is to be submitted to the Department for review and approval by December 31, 2004. The rest of the deliverables are to be submitted to the Department for review and/or approval by the following dates:

Conceptual recreation plans/recommendations – August 1, 2005
Final recreation plans – October 31, 2005

Budget: \$200,000

Task 2 – Create Improved Local Economic Opportunities

Develop plans in sufficient detail, and consistent with the ecosystem management focus of the program, that addresses the opportunities for spurring local economic conditions surrounding the sea. Conceptual economic improvement plans need to be prepared for each alternative evaluated as part of the PEIR, including the No Action Alternative. At a minimum, each plan needs to review the alternatives for their potential to create and/or augment opportunities for local economic growth (e.g., will the alternative reasonably stabilize the shoreline, will it significantly improve water quality, will it protect or enhance species biodiversity and the health of the overall the ecosystem, or will it provide the foundational infrastructure needed to allow others to develop complementary projects, etc.) and discuss the opportunities each alternative provides in terms of a stimulus to the local economy. In addition, each plan must include the following information:

- a. Describe how the local economy functions (an economic base analysis) and the relationship the sea plays in driving that economy.
- b. Describe opportunities for creating local jobs that, in turn, can provide an economic stimulus.
- c. Analyze export promotion – the development and attraction of industries that serve external customers or draw in external dollars.
- d. Analyze import substitution – the ability of individuals to “recycle” these external or export dollars to expand the local economy.
- e. Describe specific plans for augmenting the local economy through the use of fee-based recreation facilities, the creation of business/enterprise zones, local community development, or other proposals that provide local economic stimulus.

As part of this task, criteria must be developed to evaluate whether the alternatives being analyzed will provide a stimulus to the local economy. Conceptual economic development plans must reflect the values and desires of various stakeholder and diverse interest groups. The plans also need to be thoroughly vetted through public meetings to provide input from various public interest groups and the local community. Draft conceptual plans/recommendations for improving the local economic outlook are to be submitted to the SSAC for its review and input.

Deliverables: The final economic improvement plans shall consist of a detailed description of the various plans and proposals, include supporting data and information including public consultation and opportunities for input, and a map and layout of any proposed facilities or improvements. A detailed work plan describing the local economic planning, public consultation, and plan assessment process is to be submitted to the Department for review and approval by December 31, 2004. The rest of the deliverables are to be submitted to the Department for review and/or approval by the following dates:

Conceptual economic improvement plans/recommendations – August 1, 2005
Final economic improvement plans – October 31, 2005

Budget: \$175,000